

INVESTMENT-LED DEVELOPMENT IN CHINA - FROM PAST ACCOMPLISHMENTS, TO FUTURE CHALLENGES¹

Sarmiza Pencea
Iulia Monica Oehler-Sincai

Abstract

For over three decades, investment-driven development has generated great results in Chinese catching-up endeavour. China is now second only to the USA among the world's largest economies, it ranks the first manufacturer and the top exporter and importer of goods globally, is the second most important destination for global investments, and it dominates many of the world's markets. At the same time, following for too long a high investment rate development path, China has evolved into a highly unbalanced economy, that has accumulated vulnerabilities and distortions which signal that its investment-led development model is no longer sustainable, posing the economy to considerable risks. It, therefore, needs to be changed.

Against this backdrop, the main questions we are trying to answer to in this paper are: first, if no longer relying so heavily on investments is a feasible development for China in the near to medium-term future, and secondly, what could be the expected impact of the Chinese investment wane on the other actors on the global stage. To this end, we will use the most recent data and statistics, as well as the accumulated knowledge on the subject from the scientific investigations carried out by other researchers, both westerners and Chinese, trying to push further our own previous research findings.

Key words: China, development model, investment-driven, investment deceleration, external impact, investment-led development, consumption-led development, economic rebalancing

JEL Classification: E21,E22, O16, O41, O53, P21, P27

¹ A shorter and changed version of this paper was presented in the International Conference "Challenges of Doing Business in the Global Economy", 22-23 May, 2015 and published by Dimitrie Cantemir Christian University in the conference review "Knowledge Horizons. Economics" Volume VII – no.2/2015

1. Introduction

For over three decades, investment-driven development has generated great results in Chinese catching-up endeavour. China is now second only to the USA among the world's largest economies, it ranks the first manufacturer and the top exporter and importer of goods globally, is the second most important destination for global investments and it dominates many of the world's markets. At the same time, following for too long a high investment rate development path, China has evolved into a highly unbalanced economy, that has accumulated vulnerabilities and distortions which signal that its investment-led development model is no longer sustainable.

China's economy has become increasingly dependent on investments in time (Box.1) and, consequently, it became increasingly unbalanced, unstable, uncoordinated and unsustainable.² The last decade, especially the years of the global economic crisis, have aggravated its addiction to public investments, once the huge, USD 586 billion investment and fiscal stimulus was implemented (2008-2010) to counteract the global economic crisis. The stimulus helped both China and many of its partner countries keep growing and deal better with the crisis, but it has also generated distressful consequences in the short run (inflation) and in the long run (speculative bubbles, increased indebtedness, nonperforming loans, infrastructure and industrial overcapacities, wastage, corruption), worsening previous imbalances and creating new ones.

Box 1: Evolutional Stages of the Chinese Development Model

Subsequent to 1978, the year when the reform and opening strategy was launched by Deng Xiaoping, one can identify six distinct evolutionary stages of the Chinese growth model:

- 1978-1988 – balanced, domestic market-led growth;
- 1988-1991 – investment-led slowdown, following the “Tiananmen Square Event”;
- 1991-2001 – investment-led growth, intensively stimulated by Deng Xiaoping's Southern tour (1992) and the “Go Out Policy/Going Global Strategy” of 1999;
- 2001-2007 – export and investment-led growth, after China's accession to the WTO;

² The four “un-s” identified in 2007 by former Chinese premier Wen Jiabao as features of the Chinese economy condition.

- 2008-2010 – need for change – the international financial and economic crisis revealed the structural weaknesses of the Chinese economy:
 - flawed pricing and
 - the consequently flawed resource allocation;
 - overinvestment and repressed domestic consumption;
 - an oversized manufacturing system vs. an anemic services one;
 - a natural resource and energy intensive manufacturing system generating high pollution;
 - an excessive dependence on foreign technology, R&D, innovation;
 - an excessive dependence on foreign markets;
 - a yawning income gap
- 2011-present – the start of China’s “Great Rebalancing”.

Source: Zhu and Kotz (2011), completed and updated by the authors.

According to Chinese authorities, a 7.2% minimum growth rate would be currently needed to create yearly the necessary 10 million new jobs, and keep the unemployment rate in the urban areas around 4% of the active population (Reuters, 2013). With real GDP growth rates sliding from 9.3% in 2011, to 7.7% in 2012-2013, 7.4% in 2014 and even lower levels in the years to come (IMF, 2014a) there are clear signals that the economy might soon not be able to create enough employment, in spite of the still high investment growth rates. Obviously, the Chinese economic model has run out of steam and it needs to be changed.

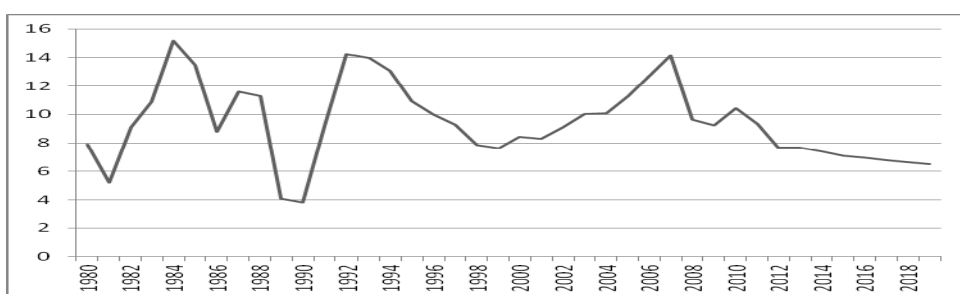


Fig. 1: GDP, constant prices, 1980-2019 (percent change)

Note: 2014 estimations, 2015-2019 prognoses.

Source: Own representation based on IMF (2014a).

International experts recommend a transition of the Chinese economy from an export and investment-led model to a more balanced growth, underpinned by private consumption (IMF, 2014b). Many Chinese scholars also point out that a distinct “problem of China’s growth trajectory” is its high

dependence on manufactures, exports and investment, aiming at maintaining its high growth (Zhu, Kotz, 2011), to the detriment of the services industry and consumption. In spite of a yearly 9% average growth rate of the domestic consumption, its share in China's GDP not only remained low during the 1980-2010 time-frame, but it was also falling due to a speedier average growth of both GDP and investments. This is not a unique country case. Along their development path, some other Asian economies recorded low and decreasing shares of consumption to GDP due to a similar growth strategy, the export-promotion industrialization supported by massive investment (McKinsey Global Institute, 2011, pp. 17-18), but they were not so extreme as in China's case.

China's transition from an investment-driven growth and the prominence of manufacturing – relying on cheap local inputs (labour, capital, energy, land), foreign technology and foreign demand – to a domestic consumption-driven growth model, with a dominant tertiary sector and high local innovation capabilities, is not a simple, linear, or brief endeavour. We think that investments will play further a major part in China's economy, because, on the one hand, their abrupt cut would be dangerous to China and to the world, on the other hand, because there are powerful vested interests in favour of keeping investments growing and they are expected to oppose change (state-owned enterprises/SOEs, banks, influential party and state administration members who control these units and profit from them) and, finally, because the restructuring processes and policies themselves (urbanization, R&D development, climbing the technological ladder, environment protection, FDI encouragement, etc.) require or imply investments.

That is why, despite the emphasis on economic rebalancing, **the official data show that GDP growth is still driven by investment** and fixed investment annual growth rate in real terms continues to be close to 20% (NBSC, 2014).

What is reasonable to expect is that the investment growth rate will start to slow while the domestic consumption growth rate accelerates, until their respective contributions to China's GDP would be reversed. Besides the fact that this is easier said than done, what is more important than this switch, in our opinion, is that such a recalibration of the aggregate demand components should be accompanied by a qualitative shift to a much more efficient resource allocation.

2. Notions of Risks and Advantages of investment-driven development

The idea that China should rely more on domestic demand is not new, as emphasize Stiglitz and Yusuf (2001). It has only got more intense in recent years.

There is a large literature related to over-investment and investment misallocation in China (Lee *et al.*, 2012). It is estimated, by comparing the investment and capital-to-output ratios, that “*China may have been over-investing by between 12 and 20 percent of GDP relative to its steady-state desirable value*”. Also, it is revealed that the marginal contribution of an extra unit of investment to growth has been diminishing and the costs of over-investments transferred to households and SMEs through the financial sector (Lee *et al.*, 2012, p. 14, 16).

Ma *et al.* underscore that the current levels of consumer spending (household consumption estimated at 35% of GDP) and investment (close to 50% of GDP)³ in China are the lowest and highest such rates, respectively, among all major economies. The increase in savings was even more accelerated than that in investments, which contributed to large current account surpluses (Figures 2 and 3). High savings and investment rates in China (Figure 2) were encouraged by factors such as the rural-urban migration starting with the 1990s, the SOEs restructuring in the 1990s, the transition to a new pension system and the introduction of private home ownership, the market opening and the increased foreign competition associated with the WTO accession (Ma *et al.*, pp. 74-76).

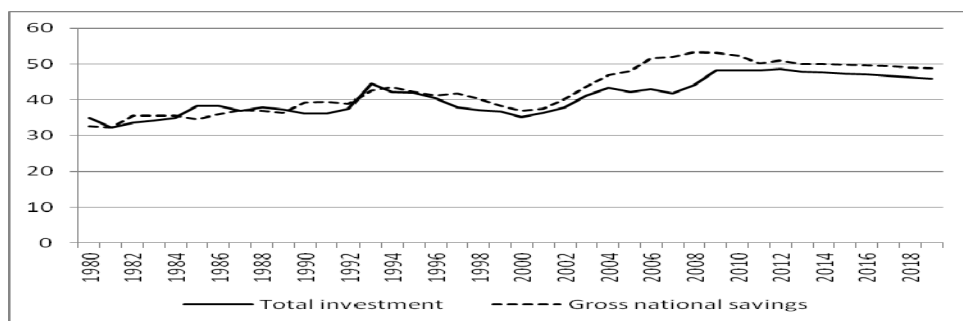


Fig. 2: Total investment and gross national savings, 1980-2019 (percent of GDP)

Note: 2014 estimations, 2015-2019 prognoses.

Source: Own representation based on IMF (2014a).

³ Much larger than those of developed countries, of 20% or less, according to The Economist, 2012.

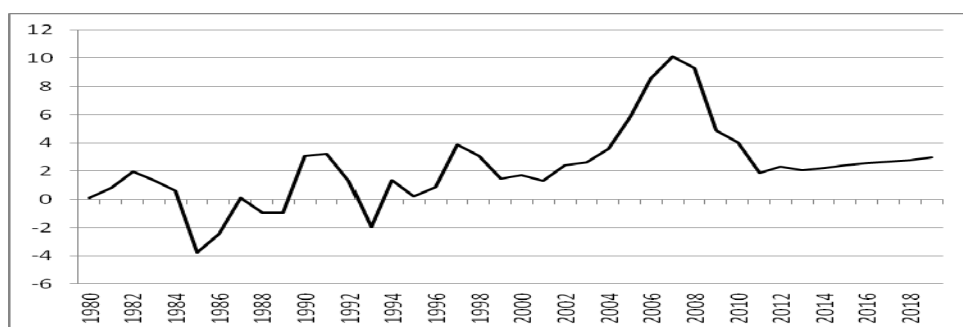


Fig. 3: Current account balance, 1980-2019 (percent of GDP)

Note: 2014 estimations, 2015-2019 prognoses.

Source: Own representation based on IMF (2014a).

The Chinese high investment rate is explained by some authors by turning to the capital-labour ratio which is still below the steady-state level (Knight, Ding, 2009, p. 4). According to Bai *et al.* (2006), the aggregate rate of return to capital averaged 25% during 1978-1993, it fell during 1993-1998, and has become flat at roughly 20% since 1998 – a “reasonably high level”, as indicated by Knight, Ding (2009, p. 31).

Additionally, a massive reallocation of resources towards more productive categories took place: from the state sector to the private sector, from agriculture to industry and services, and from domestic to foreign markets (Knight, Ding, 2009, p. 31). We would also add the massive reallocation of resources from households to SOEs by way of financial repression, which became the main mechanism for subsidizing industrial development. According to Pettis (2013a), households still subsidize growth by 4% of GDP, yearly.

An important positive mutation took place in 2013, when, for the first time, the value added by the tertiary sector (46% of GDP) surpassed that of the secondary sector (44% of GDP), while the primary one maintained around 10% of GDP, similarly to previous years (NBSC, 2014). The investments in fixed assets (excluding rural households) were distributed in proportion of 2.1% to the primary sector, 42.3% to the secondary sector and 55.6% to the tertiary sector, reflecting the government’s drive to spur the development of services.

On the other hand the real estate sector is worrisome, recording an unusual high growth rate during 2001-2013, and bringing its share in the total fixed assets investment from around 17% in 2001, to an alarming level of 25% in 2013. Much of this increase can be explained by rural-urban migration but also by “white elephant projects” and their financing through the obscure channels of shadow banking (Oehler-Sincai, 2014).

Another important by-product of the investment and export-driven growth is the unbalanced regional development in China. In spite of the governmental program of investment in the regions that lag behind (“Go West” strategy), the eastern areas still record the largest share of the total investments in fixed assets (40%), as compared to the central (24%), western (25%) and northern regions (11%) (NBSC, 2014).

3. Investment-led, consumption-led development in China, or both?

According to official statistics, consumption makes less than 50% of China’s GDP (as compared to the worldwide rate of 80% of GDP, or the US rate of 88%), while the gross savings rate is more than 50% (Zhang, Zhu, 2013). Some research papers emphasize that China’s consumption is underestimated in the official statistics, due to a set of factors, most of them underlining the poor methodology (Zhang, Zhu, 2013, Cai, 2014). Consequently, the real rate of consumption could account for 60-65% of GDP, which is 10-15 percentage points higher than the official data. These figures should be correlated with other investigations, that assert that investment is overestimated by more than 10% of GDP (Cai, 2014).

Some of the Chinese specialists state that the artificial stimulation of consumer spending could be more dangerous than investment, providing examples from the 1997-1998 Asian financial crisis and from the global collapse of 2008-2009. Therefore, not the axiom “spend more and invest less” should be the solution for rebalancing the Chinese economy, but the quality of investment in high technology and education, in order to increase the total factor productivity (Cai, 2014). Other studies underline that China needs to increase the efficiency in input use, to innovate and make the shift to higher-value services (IBRD and DRC, 2013, p. 11).

At its current level of per capita GDP, China is already the largest market in the world for cars and many consumer products, including most luxury goods (Forbes, 2012). According to some specialists, the continuous rise in GDP per capita (Figure 4) “*will create a market for consumer goods unlike any the world has ever seen before*” (Forbes, 2012). Consequently, consumption will become dominant in the economy.

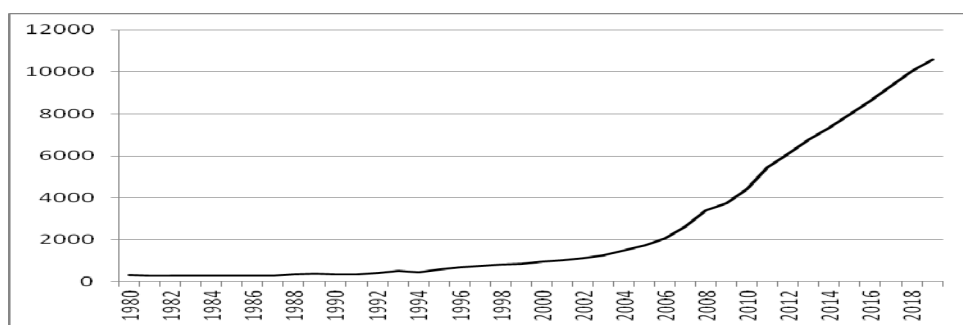


Fig. 4: GDP per capita, current prices, 1980-2019 (USD)

Note: 2014 estimations, 2015-2019 prognoses.

Source: Own representation based on IMF (2014a).

Still, investment will continue to play a significant role, due to a host of factors. We will mention below only some of them.

(1) To develop a more advanced and a technology-driven economy, the State Council adopted in 2010 the Decision on Accelerating the Development of Strategic Emerging Industries (SEIs). There are seven nominated SEIs: energy efficient and environmental technologies (correlated with the “Go-green policy”), next generation information technologies (IT), biotechnology, high-end equipment manufacturing, new energy, new materials and new energy vehicles (NEVs). These industries are projected to account for 8% of GDP by 2015 and 15% of GDP by 2020 (The US-China Business Council, 2013, Xinhuanet, 2012, Eurasia Group 2011);

(2) There are investment policies that encourage manufacturers to expand into central and western China (Eurasia Group 2011) and renewed efforts to improve the investment climate. In February 2014, the State Council (China’s Cabinet) approved a plan to reform business registration, which will contribute to fairer, opener and more transparent market rules (Xinhuanet, 2014a). The amendment to China’s Corporation Law came into force in March 2014.

(3) Although at lower pace, investments in infrastructure will continue to augment. An amount of USD 3.6 trillion is forecasted until 2020 (Eurasia Group 2011). In March 2014, the Chinese authorities unveiled a National New-type Urbanization Plan for 2014-2020, intended to encourage the urbanization process centred on people and the environment (Xinhuanet, 2014b).

It should be underscored that some driving factors spur simultaneously consumption and investment. One example is the internal migration from rural areas to cities, inducing both investment and a natural consumption “windfall” (Eurasia Group, 2011, p. 24). In 2013, the total number of migrant workers was

estimated at about 270 million people, accounting for almost 20% of the total population (NBSC, 2014).

Considering such determinants and trends, experts from the World Bank and the Development Research Centre of the State Council appreciate that consumption to GDP ratio will come to exceed 60% in the next ten years, while the investment to GDP ratio will fall under 40% (Table 1).

Table 1: China – Growth pattern until 2030 assuming steady reforms and no major shock

Indicator	1995–2010	2011–15	2016–20	2021–25	2026–30
GDP growth (percent per year)	9.9	8.6	7.0	5.9	5.0
Labor growth	0.9	0.3	–0.2	–0.2	–0.4
Labor productivity growth	8.9	8.3	7.1	6.2	5.5
Structure of economy (end of period, %)					
Investment/GDP ratio	49	42	38	36	34
Consumption/GDP ratio	47	56	60	63	66
Industry/GDP ratio	46.7	43.8	41.0	38.0	34.6
Services/GDP ratio	43.1	47.6	51.6	56.1	61.1
Share of employment in agriculture	36.7	30.0	23.7	18.2	12.5
Share of employment in services	34.6	42.0	47.6	52.9	59.0

Source: The World Bank and the Development Research Center of the State Council, P. R. China, 2013, p. 9.

To conclude, rebalancing and changing the growth model in China – and everywhere else, for that matter – is hardly a question of “either dominant investments, or dominant consumption”, but rather a question of identifying the optimal mix of the aggregate demand components, for each development stage in this country’s evolution.

4. The External Impact of Chinese Investment Deceleration

Changing the development model will play a vital role in rebalancing the Chinese economy, but, given the size of this economy and its deep global integration, the shift will influence in one way or another, directly or indirectly, to a smaller or greater extent, all the other countries of the world. Both foreign companies operating in China and the host of companies present in the international markets will have to cope with a changing and more volatile environment under the impact of the mutations taking place in this country, and both companies and economies should adapt and reform themselves in parallel with it.

The global spillovers will be transmitted both by trade, financial, investment channels and through the global value chains (GVC) and networks of the international production system, having a bearing on both the counties' GDP and on the global trade and growth. A slower growth of China's fixed investments and the shift in their structure will greatly influence the size and direction of trade and money flows, international prices and all the actors in the marketplace.

Following 1978, China implemented an explicit strategy of internal and external accumulation of capital (Palley, 2005), which allowed for a swift industrialization and modernization, and for turning the country into the no. 1 manufacturer of the world. This process implied an import basket where capital goods, machinery and equipment, parts and components had a dominant share. As the country developed, industrialized and became in many industries the final link of global value chains (GVCs), but especially after the implementation of the 2008-2010 stimulus, which favoured infrastructure investments, China's import basket changed radically. Altering the investment profile to a dominance of infrastructure and urbanism projects and to nurturing services and high-tech (HT) industries, has generated a downward trend in the imports of capital goods and a surge in those of commodities, raw materials for industry, real estate and infrastructure development.

Slowing the investment growth rate is supposed to induce new alterations in China's import basket, affecting directly some of China's trade partners, and indirectly, through its impact on the international prices, having a bearing on all the other actors in different global markets.

- The most exposed to a slowing investment growth rate in China will be the Asian exporters of components involved in regional value chains (VCs) which have terminal links in China (such as Taiwan, South Korea, Malaysia, Thailand, Philippines, Japan, etc.). Ahuja&Nabar (2012) estimate that one percentage point (pp) decline in the Chinese investment growth rate could trigger a significant decrease of the GDP growth rates in these countries: over 9 tenths of a pp in Taiwan, 7-8 tenths in Malaysia and South Korea, 4 tenths in the Philippines and 1 tenth in Japan. If the investment slowing would be located in Chinese manufacturing, the impact on these countries would be similar, but if it would be located in the tertiary sector, the impact would be considerably milder.

In spite of the apparently small numbers, such an impact is not at all negligible. According to Lee *et al.* (2012), the investment share in Chinese GDP should be lowered by at least 10 pp (to 40%) in five years, which means that investments should grow much slower than GDP during this interval.

Considering Pettis' (2013a) estimation that, for such an adjustment to be possible, the investment growth rate should be 4.5 pp lower than the GDP growth rate, and taking into account the fact that in China investments keep growing annually by 19-20%, while the 2014 GDP growth will only hardly reach the 7.5% target, it results that Chinese investment should grow by maximum 3% yearly. It results, further, that a massive reduction, of 16-17 pp of the investment rate would be required to bring the total investment share in GDP to 40%, in five years. Although the estimated spillovers in the countries mentioned above will not be 16-17 times larger, this still provides a telling image of the magnitude of impact China could inflict on its VCs partners.

- Excessive infrastructure capacities in China will lead to significantly slowing investments in this sector (Eurobiz, 2013), with a further negative bearing on the companies exporting infrastructure-building and transport equipment to China. Governmental policies will decisively influence which of the sectors will suffer or not (Pettis, 2013b), but we expect that assured beneficiaries of further investments and incentives will be HT industries, green industries and high value-adding services. Therefore, exporters of HT equipment, the ones that can provide productivity-enhancing equipment and technologies, or can contribute to fighting pollution and developing environmental-friendly industries are best positioned to take advantage of the opportunities opened by the Chinese economic rebalancing. Similarly, foreign companies interested in developing joint research and innovation projects with local partners will also enjoy considerable opportunities in China in the following years (Pencea, 2014).

- In case of a temporary shock to China's fixed-asset investments, the impact would be felt the world over, triggering a global trade slowdown, but the most significant negative impact would be felt by capital goods manufacturers with a sizable direct exposure to China, especially the ones from Germany and Japan (Ahuja&Nabar, 2012). Less severe outcomes would be registered in the USA, EU, South Korea, India, Brazil or Canada, while Australia or Indonesia would be insignificantly touched.

- Another category of exporters that might benefit from Chinese reforms are those from countries with a strong manufacturing sector, especially emerging and developing economies where labour and other inputs are still relatively cheap. They will be able to take advantage of China's inevitable loss of competitiveness in international markets, once economic rebalancing reforms are implemented. Increasing costs with inputs – either labour (rising wages), capital (rising interest rates), land, energy or natural resources (rising prices, once markets are gradually liberalized) – and the costs incurred by

overcapacities, as well as a potential strengthening of the yuan will all lead to a loss of competitive force on China's side, to the advantage of its former competitors in various markets. A good example is provided by Mexico, whose manufacturing sector was almost decimated by China's aggressive pricing, but it now already feels the outcomes of a relatively weaker competition from China (Pettis, 2013b).

- A strongly affected group of China's trade partners will be the exporters of commodities for industry (iron ore, copper, aluminium, etc.) and real estate and infrastructure building (cement, steel). The most affected are going to be the countries with undiversified economies, which export mainly mineral resources and have a large exposure to China (such as Chile, Zambia, Saudi Arabia, Iran, Kazakhstan). In these countries, for each pp reduction of the investment growth rate in China, there might be an almost 40% of a pp loss in their economic growth (Chile, Zambia, Saudi Arabia). On the other hand, large mineral resources exporters with diversified economies, such as Australia, Brazil, or Indonesia will be less affected by the Chinese economy evolutions (Ahuja&Nabar, 2012).

- A declining Chinese demand for resources it once consumed in excess just as a result of its investment-intensive development, such as aluminium, copper, iron ore, etc., is expected to entail a sharp decline in international prices of these commodities, with a double and contradictory impact on the actors in the specific international markets: (i) on the one hand, the providers of these goods, mainly mines, will face a major double loss – they will export less, and they will gain less for their exports, due to the fall in prices. Also, they will be hit harder if they had made investments to increase capacities so that they could meet China's demand (producers in countries such as Peru, Brazil, South Africa, Australia are in this position); (ii) on the other hand, the buyers of these goods will be favoured, taking advantage of price cuts by up to 50% in the following years (Pettis, 2013b). Additionally, a slowdown of the global growth triggered by China's measures to calm investment could also determine a 3-9 pp reduction in the growth rate of prices for iron ore, aluminium, copper, lead, nickel and zinc. The largest impact would be felt in zinc prices, followed by the nickel and lead ones (Ahuja&Nabar, 2012).

- Swift investment growth in China is responsible for multiple imbalances, but one of the most acute is that of overcapacities, an issue which is vital for the industrial system reform. In this respect, one of the expected consequences of changing the growth model is a speeding up of consolidation processes. Relatively inefficient, uncompetitive Chinese companies in the industries where the government intervenes less, or those lacking access to cheaper capital are

already subject of mergers and acquisitions (M&A). It is not yet clear what the government is going to decide for SOEs, but there is a moderately positive expectation regarding a probable acceptance of private, and possibly even foreign capital involvement in their restructuring processes (Eurobiz, 2013).

- On the other hand, Chinese companies will further internationalize and the Chinese government will further search the world for profitable investments of its huge foreign exchange reserves, so that capital outflows from China are expected to intensify. Already the gap between capital inflows (FDI) and outflows (ODI) is quickly narrowing (Figure 5) and soon China will become a net capital provider for the world economy. Consequently, for the capital-hungry companies and economies new opportunities to attract Chinese investments are expected to appear.

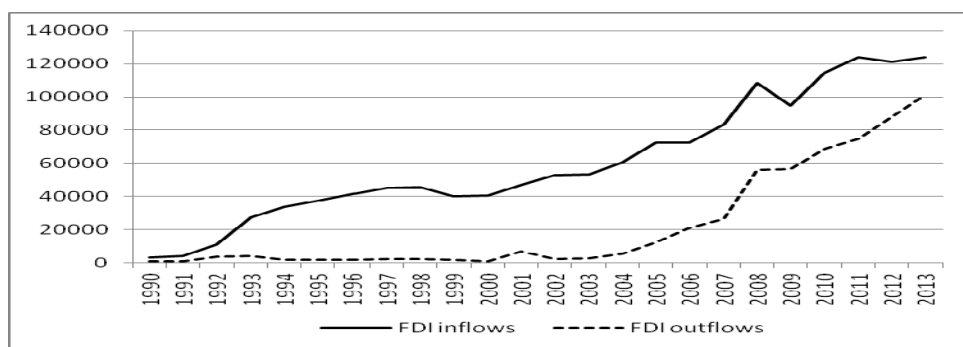


Fig. 5: China – FDI inflows and outflows, 1990-2013 (millions of dollars)

Source: Own representation based on UNCTAD (2014).

- As the incomes of Chinese population keep increasing, by deliberately having wealth transferred from state, back to households, reversing the actuality of households still subsidizing economic growth by 4% of GDP (Pettis, 2013a), as Chinese middle class becomes more robust and public services become strong enough to oust precautionary saving, households will increasingly spend and consume more and exporters around the world will have better opportunities in Chinese markets. Still, the process will be rather slow and it will tightly depend on how the government decides to increase household incomes. It makes a great difference if the government chooses to either (i) increase wages (negatively affecting competitiveness), (ii) liberalize interest rates (bearing on bank profits and on the financial repression as an instrument supporting cheap investment capital), or (iii) make imports cheaper, by letting the RMB appreciate (discouraging exports), because each of these measures benefits a different household category and, consequently, different providers of goods and services for these consumers. Additionally, the degree of

market openness to foreigners and the levelled playing field will also depend on government's vision and policies.

Pettis (2014) considers that a substantial increase might take place in China's imports of food and agriculture products and there will be good opportunities for exporters in this field. On the contrary, exporters of consumer goods should not expect significant volume increases in China, as this market will absorb mainly locally manufactured goods. Similarly, Ahuja&Nabar (2012) conclude that for consumer goods exporters the impact of increased consumption in China might be marginal. At the same time, considering the low intensity of imports in Chinese consumption, they appreciate that for the exporting countries to China the spillovers generated in terms of GDP growth by an increased Chinese consumption are, for the time being, negligible.

Conclusion

To capitalize on China's growing domestic consumption, foreign companies must be extremely flexible, adapting their supply to the local specificities and tastes, attending to the large cultural diversity of Chinese provinces and to the fragmented market it generates. Consumers in Beijing, Shanghai, or Souzhou are different and they should be targeted in different ways. Additionally, they are prone to change themselves, due to increased contacts with the western world and improved access to information.

China's market has always been a mix of great opportunities and challenges for westerners. The current reform, upgrading and rebalancing processes in China imply deep, complex and interconnected transitions, with multiple implications both at home and abroad, making both local and foreign companies, both domestic and international markets face challenges and opportunities like never before, in a more volatile and risky environment. Laying new stress in China on market freedom, domestic consumption, efficient allocation, innovation, productivity, competitiveness, etc. will radically change the economic environment in both Chinese domestic market and global markets, and the potential "earthquakes" in some of the Chinese industries will undoubtedly shake the world economy, trying the adaptive power of both partner countries and companies. In a changing world striving for redefining itself, many of the "recipes" that worked in the past might become inefficient and only the capacity to innovate in every way will make the difference between losers and winners.

References

- Ahuja, A., Nabar, M., 2012. Investment-Led Growth in China: Global Spillovers, IMF Working Paper, Asia and Pacific Department, November.
- Bai, C-E., Hsieh, C-T., Qian, Y., 2006. The Return to Capital in China, Brookings Papers on Economic Activity, Economic Studies Program, The Brookings Institution, vol. 37(2006-2), pages 61-102.
- Cai, P., 2014. Does China over invest and under spend?, China Spectator, March 21.
- The Economist, 2012. China's economy – Feels like white elephants?, April 12.
- Eurasia Group, 2011. China's Great Rebalancing Act, New York, August.
- Eurobiz, 2013. Sailing in Choppy Waters: Business Implications of the Economic Reforms for the Decade Ahead, September, the 28th.
- Forbes, 2012. Opportunities in China: The Next 10 Years, Perkowski, J. November 19.
- IMF, 2014a. World Economic Outlook Database, April.
- IMF, 2014b. World Economic Outlook – Recovery Strengthens, Remains Uneven, World Economic and Financial Surveys, April, Washington D.C.
- Knight, J., Ding, S., 2009. Why Does China Invest So Much?, University of Oxford, Department of Economics, Discussion Paper Series, Number 441, July.
- Lee, I. H., Syed, M., Liu, X., 2012. Is China Over-Investing and Does it Matter?, IMF Working Paper, WP/12/277, Asia and Pacific Department, November.
- Ma, G., McCauley, R., Lam, L., 2013. The Roles of Saving, Investment and the Renminbi in Rebalancing the Chinese Economy, *Review of International Economics*, 21(1), 72–84, DOI:10.1111/roie.12021.
- McKinsey Global Institute, 2009. If you've got it, Spend it: Unleashing the Chinese Consumer, August.
- National Bureau of Statistics of China/NBSC, 2014. Statistical Communiqué of the People's Republic of China on the 2013 National Economic and Social Development, February 24.
- Oehler-Şincal, I. M., 2014. Comments Regarding China's Influence on the International Metal Markets, forthcoming in the Journal of Global Economics, IEM/INCE, Romanian Academy, Bucharest.
- Palley, T. I., 2005. External Contradictions of the Chinese Development Model: Export-led Growth and the dangers of Global Economic Contraction, Journal of Contemporary China, Washington, May.
- Pencea, S., 2014. From “Made in China” to “Invented in China”, Journal of Global Economics, Vol. 6, No.1, the Institute for World Economy, Bucharest.

Pettis, M., 2013a. China Will Struggle to wean Its Addiction to Investment-led Growth, *Economy Watch*, January, the 3rd.

Pettis, M., 2013b. Winners and Losers in China's Next Decade, *McKinsey Quarterly*, No. 3.

Pettis, M., 2014. China's Economic Rebalancing Likely to Hurt World's Emerging Economies, *New York Times*, February, the 1st.

Reuters, 2013. China premier warns against loose money policies, November 5.

Stiglitz, J. E., Yusuf, S. (editors), 2001. *Rethinking the East Asian Miracle*, A World Bank Publication, Washington D.C.

UNCTAD, 2014. *Investing in the SDGs: An Action Plan*, Annex Tables, New York and Geneva.

The US-China Business Council, 2013. *China's Strategic Emerging Industries: Policy, Implementation, Challenges, & Recommendations*.

The World Bank and the Development Research Center of the State Council, P. R. China, 2013. *China 2030 – Building a Modern, Harmonious, and Creative Society*, Washington D.C.

Xinhuanet, 2014a. China reforms registration rules to benefit businesses, February 18.

Xinhuanet, 2014b. China Unveils Landmark Urbanization Plan, March 16.

Xinhuanet, 2012. China to boost strategic emerging industries amid economic slowdown, May 30.

Zhu, A., Kotz, D. M., 2011. The Dependence of China's Economic Growth on Exports and Investment, *Review of Radical Political Economics*, 43(1), 9–32.

Zhang, J. and Zhu, T., 2013. Re-Estimating China's Underestimated Consumption, September 7, Available at SSRN: <http://dx.doi.org/10.2139/ssrn.2330698>.